

LAND BOARD AGENDA ITEM
November 17, 2008

FINAL APPROVAL FOR LAND BANKING ACQUISITION:

DeBruycker Farm

Seller:	Mark and Belva DeBruycker Lloyd and Jane DeBruycker
Prospective Buyer:	State of Montana, Department of Natural Resources and Conservation
Location:	The property is located between Dutton, Montana and Choteau, Montana. The property is 6 miles west of Dutton and 9 miles east of Choteau south of Montana Highway 221.
Property Characteristics:	<p>This property totals 5,211.98 acres. It is a mixture of dry cropland (3,067.63 acres), CRP (1,188 acres), native rangeland (914.1 acres) and other (42.25 acres – road ways and unsuitable areas).</p> <p>A unique aspect of this property is the 2 wind anemometers stationed on the Teton Ridge. The DeBruycker purchased and installed these wind anemometers 2 years ago, in hope of developing wind energy on this property. The Teton Ridge is noted for windy conditions and is prime area for wind development.</p>
Recreational Opportunities:	The property provides fair big game hunting and good to excellent upland bird hunting. Wildlife on this farm includes, Mule Deer, Whitetail Deer, Pronghorn Antelope, Hungarian Partridge, Sharp Tail Grouse, Pheasants, and various other non-game mammals and birds. Other recreational opportunities such as hiking and bird watching may also exist.
Access:	All tracts on this property are legally accessible through Montana Highway 221 or petitioned county roads.
Appraised Value/Purchase Price:	\$4,980,000.00
Proposed Closing Date:	December 15, 2008

FINAL APPROVAL FOR LAND BANKING ACQUISITION

DeBruycker Farm

Background:

The DeBruycker property received preliminary approval by the Board of Land Commissioners (Board) in January 22, 2008. Since then, the DNRC has engaged in evaluation of the property as per the Land Banking Rules at ARM 36.25.815.

Public Involvement:

The DeBruycker property was nominated for state acquisition by the owners under the Land Banking process. DNRC has consulted with Montana FWP, Teton County Commissioners, and various other individuals regarding this purchase. The seller, Mark DeBruycker has also discussed this sale with neighboring property owners and other members on the community. The local news paper, The Choteau Acantha, also printed a story about this purchase on May 14, 2008. No opposition has been noted to date.

Selection Considerations and Process:

DNRC secured a purchase agreement for appraised value which included an Agricultural and Grazing lease back option. The purchase agreement contains the following reservations which are detailed in the purchase agreement and summarized below:

*Seller will reserve gravel in NENE Sec 26 for Teton County to use on County Roads in the area, the reservation will run for a 15 year period.

*Seller reserves a lease back to family member Bret Debruycker at 30% crop share, 50% CRP, and \$8.00 per AUM.

*Seller reserves fifty percent (50%) of all existing oil, gas or mineral rights that are owned by the seller.

*Seller reserves wind energy development rights for 25 year period. The state will share in the revenue from any wind energy that is developed during these 25 years.

*Seller retains ownership of the two existing wind anemometers located on the property and the data. All data collected on the property after closing will be shared with the State.

Agency Recommendation:

The Director recommends the Board's final approval for acquisition of the DeBruycker property.

Due Diligence Property Evaluation Summary

ACQUISITION REPORT	EXPLANATION						
Seller's Disclosure	No known material defects in the property						
Annual Rate of Return over 20 years	<p style="text-align: center;">Projected Annual Income Return</p> <table> <tr> <td>Common Schools</td><td>2.14% - 3.54%</td></tr> <tr> <td>MSU Morrill</td><td>3.29% - 5.88%</td></tr> <tr> <td>Public Buildings</td><td>3.35% - 6.00%</td></tr> </table>	Common Schools	2.14% - 3.54%	MSU Morrill	3.29% - 5.88%	Public Buildings	3.35% - 6.00%
Common Schools	2.14% - 3.54%						
MSU Morrill	3.29% - 5.88%						
Public Buildings	3.35% - 6.00%						
Average Annual Rate of Return of property sold	<p style="text-align: center;">Average Annual Income Return On Sold Parcels</p> <table> <tr> <td>Common Schools</td><td>.92%</td></tr> <tr> <td>MSU Morrill</td><td>.23%</td></tr> <tr> <td>Public Buildings</td><td>.50%</td></tr> </table>	Common Schools	.92%	MSU Morrill	.23%	Public Buildings	.50%
Common Schools	.92%						
MSU Morrill	.23%						
Public Buildings	.50%						
Annual Income	<p style="text-align: center;"><u>Dryland Crop:</u> $3,067.63 \text{ ac} * 50 \text{ bu/ac} * P^w *.30 \text{ state share} *.5(\text{SF}) =$ \$103,532.51 - \$184,057.80 (Range shows difference between low or high Wheat price (P^w) of \$4.50/bushel and \$8.00/bushel)</p> <p style="text-align: center;"><u>CRP:</u> $1,188 \text{ acres} * \\$28.76 * .4304 \text{ state share} =$ \$14,702.01 total</p> <p style="text-align: center;"><u>Rangeland</u> $914.1 \text{ acres} @ 233 \text{ AUMs} * 8.00 / \text{AUM}$ \$1,864.76</p> <p style="text-align: center;"><u>Total Annual Net Revenue (estimate) by Trust</u></p> <table> <tr> <td>Common Schools</td><td>\$87,341 - \$144,196</td></tr> <tr> <td>MSU Morrill</td><td>\$19,269 - \$34,460</td></tr> <tr> <td>Public Buildings</td><td>\$10,707 - \$19,186</td></tr> </table> <p style="text-align: center;">**Assuming 50 bu / acre yields *** Does not include FSA direct payments</p>	Common Schools	\$87,341 - \$144,196	MSU Morrill	\$19,269 - \$34,460	Public Buildings	\$10,707 - \$19,186
Common Schools	\$87,341 - \$144,196						
MSU Morrill	\$19,269 - \$34,460						
Public Buildings	\$10,707 - \$19,186						
Classification of property	Agricultural Land and Grazing Land						
Soils/Range	Soils in this are generally well developed and very productive. USDA – NRCS soil survey indicated Land Capability Classification as a mixture of 3E, 4E, and 6E soils. Soil textures vary from silty, clay loams to clayey. Some saline seeps are present on the property.						

	<p>Current management, which promotes salt tolerant vegetation in and around saline seeps, are decreasing the size of these areas.</p> <p>The majority of the dryland crop acres are class 3E, which are highly productive soils for small grain crop production. Topography is generally flat to gently rolling. All cropland is managed as a “no till” farming operation which minimizes erosion and maximizes soil moisture conditions. Cropland is under excellent management and long term yields average above 50 bushels per acre on summer fallow.</p>
Vegetation	<p>CRP acres are a mature, healthy, and productive stand of Crested Wheatgrass, Russian Wildrye, Smooth Brome and Alfalfa.</p> <p>Native rangeland on this property is typical of the northern mixed grassed prairie. Range sites are in good to excellent condition and dominated by silty and thin hilly sites. Species composition is dominated by grasses which include western wheatgrass, green needle grass, blue bunch wheat grass, plains muhly, needle and thread grass, blue grama, thread leaf sedge, sandberg bluegrass and prairie junegrass. Sub-dominate species include various forbs and shrubs. Rangeland on this property is very productive.</p>
Range Condition	<p>The property is located in the northern mixed grass prairie, western glaciated plains 10-14 inch precipitation zone. Range condition is good to excellent. The carrying capacity of the property is typical of north central Montana and is estimated at:</p> <p style="text-align: center;">$914.1 \times .255 \text{ AUMs / acre} = 233 \text{ AUMs total.}$</p>
Weeds	<p>Canada thistle and spotted knapweed, category 1 noxious weeds, are present on this property. A few small patches and individual plants of Canada thistle were observed scattered throughout the property. Two small patches of spotted knapweed (less than 1/8 of an acre total) were observed. The sellers have been actively managing weeds across the entire property with chemical control and this is expected to occur in future years.</p>
Timber Cruises	N/A

Water	Seven (7) small reservoirs and one (1) undeveloped spring are present on this property. Reservoirs are used for livestock water and are seasonal filled from runoff.
Water Rights	Four active stock water claims (see attached Water Rights List)
Wildlife (T&E)	No threaten or endangered species are known to be present on the property. Other wildlife on the property include: Mule Deer, Whitetail Deer, Pronghorn Antelope, Hungarian Partridge, Sharp Tail Grouse, Pheasants, and various other none game mammals and birds.
Fisheries	N/A
Wetlands/Flood plain	N/A
Riparian characteristics	N/A
Cultural values	It presently unknown if cultural resources are present. Applicable cultural resource laws will be followed if the subject property is transferred to state ownership.
Mineral characteristics	The acquisition of the DeBruycker property includes fifty percent (50%) of all oil, gas, or mineral rights that are owned by the seller. Several tracts are currently under Oil and Gas Lease by Loma Energy Corp. The potential for future oil and gas leasing and development are high in this area. This area also has high potential for sand a gravel pit development.
Aesthetic Values	The property has an excellent view if the Rocky Mountain Front to the west. Views to the other directions are typical of north central Montana, which include vast acres of agricultural and grazing lands.
Recreational Use	The property would provide fair big game hunting and good to excellent upland bird hunting. Wildlife on this farm includes, Mule Deer, Whitetail Deer, Pronghorn Antelope, Hungarian Partridge, Sharp Tail Grouse, Pheasants, and various other none game mammals and birds. Other recreational opportunities such as hiking and bird watching may also exist.
Zoning	None
Planning	None

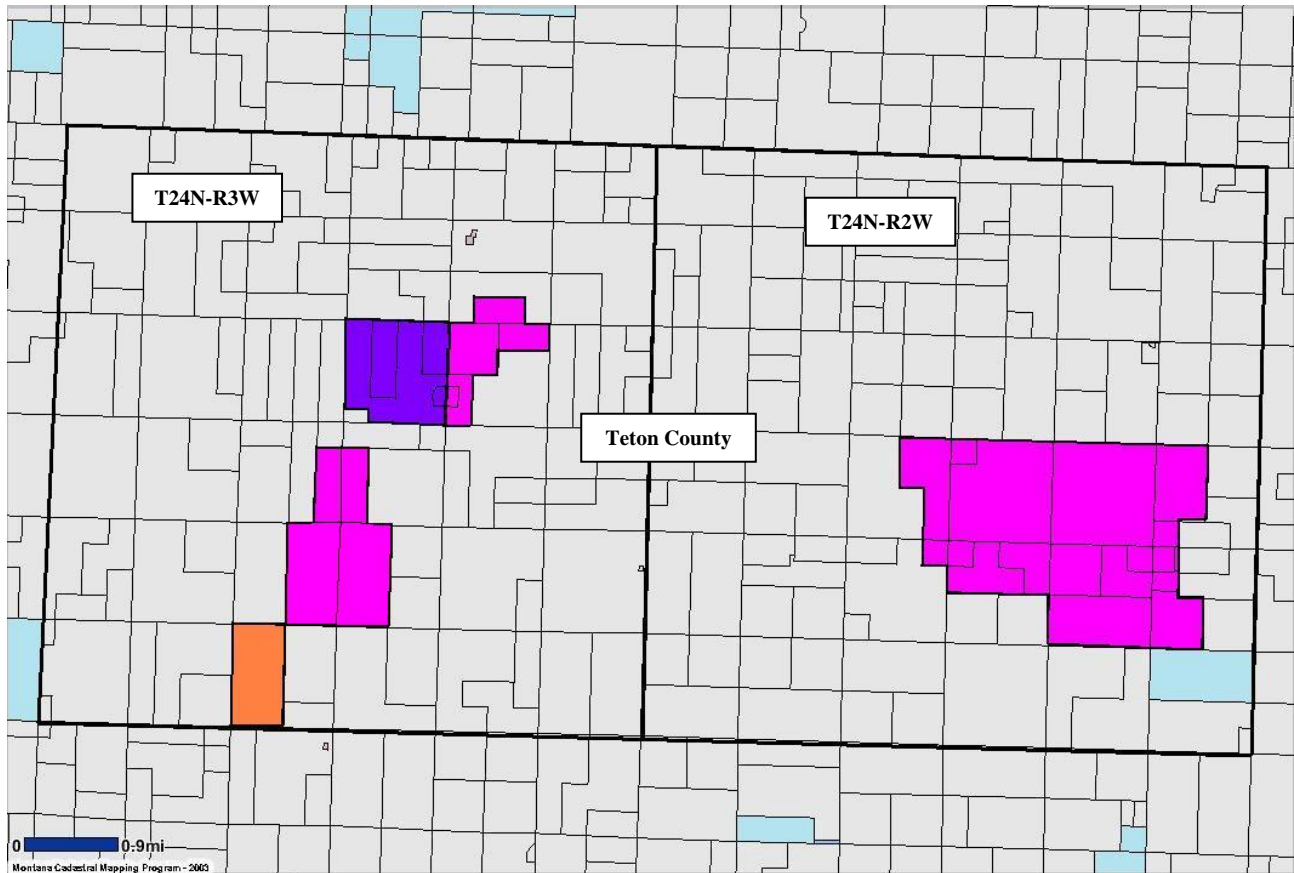
Surrounding land use	Adjacent lands are agricultural land (dry cropland and CRP) and grazing land. Adjacent lands on the Teton Ridge area are used for communications sites (cell phone towers, radio towers, etc.)															
Potential for multiple use	The primary use of the property would be agricultural for small grain production and the grazing of livestock. Future wind energy development and/or communications towers are also highly likely. The property is likely to get moderate to heavy recreational use during hunting season.															
Access to parcel	All tracts on this property are accessible though Montana Highway 221 or petitioned county roads. The interior of the parcels also have several farm roads (2 track)															
Infrastructure	The property contains approximately 11 miles of border fence and several miles of interior electric fence to separate CRP, agricultural, and native rangeland. 3.5 miles of highway 221 and 3 miles of county roads border this property.															
Adjacent public lands	The property borders 320 acres of state land on the south side.															
Adjacent conservation easements	None															
Appraised Value	\$4,980,000.00															
Purchase Price	<div>\$4,980,000.00 Total Purchase Price</div> <table><thead><tr><th>Trust</th><th>Funds</th><th>Acres</th></tr></thead><tbody><tr><td>Public Building</td><td>\$320,000</td><td>320.0</td></tr><tr><td>MSU Morrill</td><td>\$585,830</td><td>607.7</td></tr><tr><td>Common Schools</td><td><u>\$4,074,170</u></td><td><u>4284.28</u></td></tr><tr><td></td><td>\$4,980,000</td><td>5211.98</td></tr></tbody></table> <div>See attached map for acreage allocated to each Trust</div>	Trust	Funds	Acres	Public Building	\$320,000	320.0	MSU Morrill	\$585,830	607.7	Common Schools	<u>\$4,074,170</u>	<u>4284.28</u>		\$4,980,000	5211.98
Trust	Funds	Acres														
Public Building	\$320,000	320.0														
MSU Morrill	\$585,830	607.7														
Common Schools	<u>\$4,074,170</u>	<u>4284.28</u>														
	\$4,980,000	5211.98														
Summary of Title report	The State has reviewed a preliminary title commitment. The Seller warrants the title shall be good, marketable and insurable subject to the exceptions approved by the State.															
Summary Phase 1 site analysis	A Phase I Environmental Site Assessment was preformed by PBS&J of Missoula, their review and report found no recognized environmental conditions associated with the DeBruycker Farm.															

<p>Notification to Commissioners and adjacent land owners</p>	<p>The Teton County commissioners and adjacent land owners are aware of this proposed acquisition. The Choteau Acantha printed a story about this purchase on May 14, 2008. No opposition has been noted to date.</p>
<p>Comments received during public involvement process</p>	<p>Public comments have been positive and supportive of this purchase.</p>

WATER RIGHTS LISTS

24N	2W	21	NE, E2SE	41O 160890
24N	2W	22	ALL EXCEPT NWNW	41O 160901
24N	2W	22	NWNW	none
24N	2W	23	ALL	41O 160893
24N	2W	24	SWSW	none
24N	2W	24	NW, N2SW	none
24N	2W	25	SWNW	none
24N	2W	25	NWNW	none
24N	2W	25	SWNW, SW	none
24N	2W	26	W2NE, SENE	none
24N	2W	26	NENE	none
24N	2W	26	NW	none
24N	2W	26	S2	none
24N	2W	27	NWNE, E2NE4	none
24N	2W	27	NENW, S2NW, SWNE	none
24N	2W	27	NWNW	none
24N	2W	28	NENE	41O 160802
24N	3W	11	SESW, SWSE	none
24N	3W	14	NW	none
24N	3W	14	N2NE	none
24N	3W	14	W2SW	none
24N	3W	14	Pt. W2SW	none
24N	3W	15	E2NW, NESW	none
24N	3W	15	E2NE	none
24N	3W	15	W2NE, W2NW, NWNW, S2SW, SE	none
24N	3W	15	Pt. E2SE	none
24N	3W	21	SENE, E2SE	none
24N	3W	22	SWNW, W2SW	none
24N	3W	27	W2NE, SENE	none
24N	3W	28	E2	none
24N	3W	33	W2	none

DeBruycker Land Banking Acquisition Allocation



Pink is Common Schools Allocation - approximately 4,284 Acres

Purple is MSU Morrill Grant Allocation - approximately 608 Acres

Orange is Public Buildings Allocation - approximately 320 Acres

Total Land - approximately 5,212 Acres

(Blue is Current Trust Lands)